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Message Text

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67
ORIGIN NEA-09

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 USIA-06 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FRB-03 FEA-01 /090 R

DRAFTED BY NEA/ARP:FMDICKMAN:CEJ
APPROVED BY NEA/ARP:FMDICKMAN
EB/ORF/FSE:LRAICHT
---------- 043057
R 061912Z MAY 75
FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI
INFO AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY DOHA
AMEMBASSY MANAMA
AMEMBASSY TEHRAN
AMEMBASSY BEIRUT

S E C R E T STATE 105429

E.O. 11652: GDS

TAGS: ENRG, TC

SUBJECT: ABU DHABI INCENTIVES TO OIL COMPANIES

1. SETTLEMENT REACHED BETWEEN UAEG AND CONCESSIONARY COMPANIES IN RETURN FOR PERSUADING LATTER TO RAISE OIL LIFTINGS APPEARS TO HAVE RESULTED IN RATHER SUBSTANTIAL REDUCTION IN GOVERNMENT TAKE FOR THE TWO OFFSHORE CRUDES PRODUCED BY ABU DHABI MARINE AREAS (ADMA). INTERESTINGLY, THIS HAS BEEN CAMOUFLAGED BY INCREASING THE OFFICIAL LEVEL OF OPERATING COSTS PER BARREL OF OUTPUT ON EQUITY CRUDE FROM 60 CENTS TO THREE DOLLARS BY SPEEDING UP THE ALLOW-
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ABLE DEPRECIATION FROM TEN TO THREE YEARS. THIS

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CONCESSION IS PROBABLY CONTINGENT ON AN UNDERSTANDING THAT COMPANIES WILL CONTINUE THEIR LARGE SCALE INVESTMENTS OFFSHORE. NEVERTHELESS, IT MEANS THAT GOVERNMENT TAKE FOR OFFSHORE EQUITY CRUDE COULD DROP BY DOLS 2.11 DOWN TO DOLS 7.91 FOR UMM SAIF CRUDE AND DOLS 2.79 DOWN TO DOLS

7.66 FOR ZAKUM CRUDE.

2. ALTHOUGH THIS LOWER TAKE ONLY AFFECTS 40 PERCENT OF 400,000 BPD OF ADMA'S EXPECTED OFFSHORE OIL PRODUCTION THIS YEAR, IT DOES APPEAR TO REPRESENT THE FIRST REALLY MAJOR OIL PRICE ACCOMMODATION IN ANY OPEC COUNTRY. IT IS A LOGICAL SEQUEL TO ANNOUNCEMENT SEVERAL WEEKS AGO BY ABU DHABI OFFICIALS THAT THEY HAD DECIDED NOT TO PROCEED WITH 100 PERCENT PARTICIPATION AT PRESENT TIME IN RE-COGNITION OF UAEG'S INABILITY TO OPERATE AND DEVELOP FIELDS WITHOUT INDUSTRY ASSISTANCE. IT ALSO REFLECTS SERIOUS CONCERN CREATED IN ABU DHABI BY SHARP REDUCTION IN LIFTINGS BY COMPANIES WHICH RESULTED IN SHARP DROP IN REVENUES.

3. ADDRESSEE POSTS SHOULD NOT RAISE SUBJECT WITH HOST GOVERNMENTS BUT SHOULD CONTINUE TO BE ON LOOK OUT FOR FURTHER SIGNS OF ACCOMMODATION. WE OBVIOUSLY DO NOT WANT TO DRAW ATTENTION TO ABU DHABI. KISSINGER

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